

## Message Text

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70

ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 SAM-01 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 DODE-00 PA-04 USIA-15 PRS-01 AGR-20

INT-08 COA-02 L-03 TAR-02 CG-00 DLOS-06 IO-14 DRC-01

/214 W

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R 151418Z FEB 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 6329

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L TEGUCIGALPA 0665

E.O. 11652: GDS

TAGS: EAGR, HO

SUBJECT: DEVELOPMENT PLAN AND U.S. INTERESTS

GUATEMALA ALSO FOR ROCAP

SUMMARY: ECOM OFFICERS HAD EXTENDED DISCUSSION MINISTER  
OF FINANCE MANUEL ACOSTA BONILLA FEB. 13. CONVERSATION  
COVERED DEVELOPMENT PLAN AS RELATED TO U.S. INVESTMENT  
INTERESTS AND PROSPECTS FOR HONDURAN PROSPERITY.  
DISCUSSION ELICITED VIEWS OF ACOSTA ON INTENSE RUMOR  
ACTIVITY AND PRESENT DIRECTION GOH ECONOMIC POLICY.  
NO  
ACTION REQUIRED. END SUMMARY.

1. MINISTER OF FINANCE ACOSTA BONILLA RECEIVED ECOM  
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OFFICERS FEB 13. LATTER INITIATED DISCUSSION WITH EXPRES-  
SION OF DESIRE TO OBTAIN VIEW OF CURRENT GOVERNMENT ECONOMIC

POLICY. CONSTANT RUMORS OF RADICAL GOVERNMENT POLICIES AFFECTING U.S. AND HONDURAN PRIVATE INVESTMENT CLIMATE TAKEN AS POINT OF DEPARTURE.

2. ACOSTA RESPONDED THAT THE DEVELOPMENT PLAN EMPHASIZES THE FORESTRY AND AGRARIAN REFORM SECTORS IN WHICH FUNDAMENTAL EVOLUTIONARY CHANGES WILL BE SOUGHT THROUGH NEXT 5 YEARS. OTHER SECTORS SUCH AS BANKING, FISHING, MINING AND CATTLE EXPORTING (ALL OF CONCERN TO U.S. INVESTORS) WILL NOT UNDERGO SUCH INTENSIVE CHANGES.

3. CONCERNING RUMORS ACOSTA BLAMED PERSONS IN OPPOSITION TO GOVERNMENT, ESPECIALLY THOSE ADVERSELY AFFECTED BY POSSIBLE AGRARIAN REFORMS MEASURES, FOR MALICIOUSLY SPREADING RUMORS NOT ONLY IN AG SECTOR BUT ALSO IN OTHER AREAS IN ORDER TO WIN ALLIES.

4. IN RESPONSE TO QUESTIONING, ACOSTA STATED THAT GOH WAS NOT CONSIDERING REQUIRING THAT SHRIMP AND MEAT PLANTS WOULD BE COVERED BY A HONDURAN GOVERNMENT CORPORATION OR THAT THEY WOULD HAVE TO BE 100 PERCENT HONDURAN OWNED. HE SAID ONLY STEPS WHICH WOULD BE TAKEN WOULD BE AIMED AT CONSERVATION OF MARITIME RESOURCES (INCLUDING COASTAL PATROLLING) AND AN INCREASE IN GOH TAX RECEIPTS FROM SHRIMP AND MEAT PRODUCTION. HE STATED GOH DOES NOT WANT TO INTERFERE WITH PRIVATE INITIATIVE BUT RATHER TO PROMOTE IT.

5. ACOSTA CITED CONSTANT UNTRUE RUMORS OF NATIONALIZATION OF FOREIGN BANKS AS INDICATIVE OF GOVERNMENT OPPOSITION ACTIVITY.

6. CONCERNING AGRARIAN REFORM HE STATED WHEN LAW ISSUED MANY FEARS WILL BE LAID TO REST AND UNCERTAINTY OVERCOME. HE STATED FLATLY THAT AGRARIAN REFORM LAW PUT OUT BY INA BROADLY CIRCULATED AS XEROX COPIES, WAS UNACCEPTABLE. (INSOFTABLE). HE STATED GOVERNMENT RESPONSE TO DISTORTED RUMORS WAS TO SEEK TO BRING OUT THE NEW LAW AS SOON AS POSSIBLE SO THAT PEOPLE CAN ACCURATELY DETERMINE HOW THEY WILL BE AFFECTED.

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7. HE DID NOT BELIEVE IT WOULD BE WISE TO WASTE TIME RESPONDING TO CURRENT CRITICS.

8. THE TWO POLES OF THE DEVELOPMENT PLAN ARE FORESTRY AND AGRARIAN REFORM. THE LUMBER DECREE 103 IS ALREADY OUT. THE AG REFORM DECREE MUST BE CORRECTLY DONE AND THE CABINET IS GOING TO GIVE DUE DELIBERATION TO THE FUNDAMENTAL MEASURE, RUMORS NOT WITHSTANDING.

9. WHEN ASKED ABOUT THE REAL EFFECTS WHICH RUMORS CAN HAVE ON THE ECONOMY, ACOSTA STATED THAT SCARE STORIES ARE NOTHING NEW TO HONDURAS. LAST YEAR THE ECONOMY PERFORMED VERY WELL AND THE LEVEL OF INVESTMENT WAS HIGH. EXPORTS WERE UP 30 PERCENT OVER THE PREVIOUS YEAR.

10. INFLATION IS THE MOST SERIOUS PROBLEM AFFECTING THE ECONOMY RATHER THAN INVESTOR UNCERTAINTIES. PETROLEUM PRICE INCREASE ALONE WILL COST THE NATION \$25 MILLION. SPECULATIVE GAINS BY THE PRIVATE SECTOR IN 1973 HAVE NOT BEEN SHARED WITH THE WORKERS. PRESSURE ON WAGES, IMPORT PRICES, AND THE POSSIBILITY OF HAVING TO SCALE DOWN DEVELOPMENT PLAN PROJECTS BECAUSE OF INCREASED COSTS ARE SERIOUS.

11. WHEN ASKED WHY AN ANTI-FOREIGN INVESTOR BIAS HAS BEEN PUT INTO THE FORESTRY LAW, ACOSTA FIRST ARGUED THAT THE FORESTS ARE "THE PETROLEUM OF HONDURAS", BUT FINALLY CONCLUDED THE DECISION WAS A POLITICAL ONE. THE FORESTS AND THE BENEFITS FROM THEIR EXPLOITATION SHOULD BELONG TO HONDURANS.

12. CONCERNING SPECIFIC PROBLEMS OF U.S. INVESTORS AS THEY ARE PRESENTED TO THE EMBASSY, ACOSTA INVITED DIRECT COMMUNICATION WITH HIM BY EMBASSY OFFICERS WHENEVER QUESTIONS AROSE. HE ALSO EXPRESSED WILLINGNESS TO TALK TO CURRENT U.S. INVESTORS TO ALLAY THEIR CONCERNS.

13. COMMENT: CONVERSATION WITH ACOSTA PROVIDED SOME MATERIAL FOR RESPONSES TO U.S. FISHING AND CATTLE INTERESTS WHICH HAVE APPROACHED EMBASSY. CABINET DELAY IN  
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FORMULATING AND PUBLISHING AGRARIAN REFORM HAS GIVEN WIDE PLAY TO ACTIVE HONDURAN RUMOR MILL. GOH DECISION NOT TO RESPOND CAN BE FAULTED BUT PROBABLY NOT CHANGED. CONTINUED PRIVATE SECTOR FUSSING AND PLOTTING UNLIKELY ALTER COURSE OF GOVERNMENT POLICY. HOWEVER, EXPECTATIONS, PARTICULARLY IN AG SECTOR UNIONS AND CAMPESINOS MAY BE GROWING BEYOND REACH OF REALITY.  
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